



Office of the City Manager  
City Hall – Thirteenth Floor  
455 North Main  
Wichita, Kansas 67202

July 10, 2006

The Honorable Mayor Carlos Mayans and  
Members of the City Council  
City of Wichita  
Wichita, Kansas

Dear Mayor and Council Members:

I am pleased to submit the City Manager's recommended budget for 2007-2008 for the City of Wichita. This budget, like no other previous, represents a change, a transformation, from the traditional line item to one that focuses on outcomes and measures our progress in achieving those outcomes that matter to our citizens.

The City of Wichita, like many municipalities throughout the nation, continually strives to become a more efficient and effective government, balancing the needs and desires of its citizens with the resources available for service delivery. The City's goal is to become a model organization that is responsive to citizens, provides taxpayers with the best value for dollars spent, and values transparency and accountability. Becoming a model organization requires a shift in the way the City measures, reports, and performs the work of delivering services. That change, an initiative known as Transforming Wichita (TW), is driving efforts aimed at transforming our City government into a high-performance organization. This will distinguish Wichita as a leader among successful cities.

Transforming Wichita's origins date to April 2003, when a newly seated City Council directed staff to identify areas of improvement throughout the organization. Goals included improving customer service, strengthening partnerships, identifying efficiencies, and stressing transparency. A leadership team was formed in the next year, and the Visioneering Wichita project to initiate dialogue with the community was undertaken in 2004. In 2005, Public Strategies Group was retained to guide the City's

transformation to a high performing, customer driven, and entrepreneurial government that produces *results that matter*, the theme for the 2007-2008 Proposed Budget. The process was initiated by interviewing City Council Members, community leaders, and City staff and to better understand our organization while discerning strengths as well as growth areas.

The Managing for Results process is one whereby City Council Members, with the assistance of City staff, determine the services that should be purchased based upon available revenues, achievable results, and value for citizens. The fundamental premise requires determining which results matter most to the public and how much citizens are willing to pay to achieve those results. If Managing for Results is to be successful, the City must modify its practices and engage in smarter sizing, spending, management, and work processes so that the desired results are produced with the greatest value for every dollar spent.

The Transforming Wichita process, Managing for Results, utilized the consultants' data as the foundation for a series of retreats with City Council Members and City staff. The retreats resulted in the development of five primary goals that guide the City's budget process. The five goals have corresponding indicators to help measure performance. Fundamental to goal setting is the understanding that the City does not address all community needs on its own, as some needs are best met by individual citizens, the private sector, community-based organizations, and various partnerships and collaborations.



Following are the five primary goals:

1. Safe and Secure Community
2. Economic Vitality and Affordable Living
3. Efficient Infrastructure
4. Quality of Life
5. Core Area and Vibrant Neighborhoods

After each team identified goals indicators, the next step in the process was to initiate a new way to build the City's budget. The new budget process, known as Managing for Results, seeks to produce *results that matter* for citizens. It was designed to better involve elected officials and citizens in the budget process, and increased involvement is reflected in programs and services included in the Proposed Budget. In addition to increased involvement, transparency was enhanced. The more open process called upon staff throughout the organization to participate on various TW teams. The Leadership, Project, Communications, and Strategy teams are the fulcrums of developing a higher performance organization.

The new budget process, Managing for Results:

- Focuses on results;
- Understands which results matter most to customers;
- Makes performance matter;
- Strives to move decision-making down to the frontline, closest to customers; and
- Fosters an environment of excellence, inclusiveness, accountability, learning and innovation.

The five Strategy Teams, each corresponding to a goal, reviewed department's budgets and evaluated Service Adjustment Plans (SAPs), which are departmental requests for additional or reallocated funding for new or improved services, based upon need and performance results. Team recommendations were presented to the City Council for review. Preparing a budget that focuses on *results that matter* would not have been possible without the support and participation of the City Council. The Council's vision and leadership, along with the guidance provided in developing the five key goals and indicators, helped staff shape the Proposed Budget.

It is therefore my privilege to present the City of Wichita Proposed Budget for 2007-2008, developed in accordance with applicable State laws and City policies. As in past years, tough budgetary decisions have been made but always in the spirit of helping citizens. This budget also includes two significant facts that have been key features of its predecessors: there will be no mill levy increase and the budget is a balanced, sound fiscal plan.

With the submittal of this letter, I am pleased to announce that Wichita City government stands ready to become a higher performance organization, in part through a more responsive, inclusive, and transparent budget process.

## 2007-2008 BUDGET HIGHLIGHTS

- The City delivered a balanced 2007-2008 General Fund Budget, which features no property tax increase for the 13<sup>th</sup> consecutive year pursuant to governing body policy direction.
- The City continues its commitment to public safety by extending its current partnership with the Wichita Public Schools (USD 259) for School Resource Officers (SROs). The \$1.4 million cost to fund the 16 SROs will be split equally between the City and USD 259.
- The Wichita Fire Department is recommending the construction of three new fire stations: one in 2007 and two in 2008. The staffing plan includes hiring new staff and repositioning existing staff. The budget includes 24 new fire positions, staggered to begin work in 2007 and 2008 to staff the new stations.
- In response to the increasing caseload, an additional Probation Officer is included in the 2007-2008 Proposed Budget, which will be offset by Drivers License Reinstatement fees. The additional Probation Officer will enhance public safety, in part by reducing recidivism and encouraging social reintegration.
- The 2007-2008 Proposed Budget includes an additional Prosecutor to assist with handling approximately 120,000 cases per year. The Prosecutor's office covers sentencing hearings, probation revocation and represents the City in multiple stages of the judicial process.
- Responding to the growing need to address animal control challenges, the 2007-2008 Proposed Budget adds two full-time staff positions in Environmental Services. The new staff positions are a response to service requests relating to vicious dog attacks and bites, animals running at large, and animal cruelty case investigations.
- The City's commitment to quality of life is demonstrated through cultural arts funding. The City Council approved the dedication of a one mill equivalent for funding for the arts. The City Council designated the Arts Council as the organization responsible for recommending funding for cultural organizations. All of the Council's recommendations are included in the 2007-2008 Proposed Budget.
- The Wichita Public Library continues to grow its customer base as exemplified by circulation levels of nearly 2 million items annually. Additionally, materials acquisitions funding has for the first time exceeded \$1 million. An emerging quality of life issue at the Central Library is security. Two security positions have been added to the budget to help monitor the facility, the pedestrian traffic inside and outside



the building, as well as computer terminals to ensure proper usage.

- The public golf courses continue to see an increase in the number of rounds played and growth is expected to continue over the next two years. To maintain quality and overall service, fees are proposed to increase by two dollars per round, with the exception of the Auburn Hills Golf Course and the Junior Golf Program.
- Dedicated funds continue to promote a collaborative economic development initiative between the City and the Greater Wichita Economic Development Coalition (GWEDC). The 2007-2008 Proposed Budget reflects a \$1 million transfer to the Economic Development fund as well as continuation of \$250,000 in annual funding to GWEDC for its efforts to retain and attract jobs.
- The 2006 Kansas Legislative Session produced legislation financially supporting the region's efforts to sustain affordable airfares. The City and its partners secured \$5 million annually for the next five years to be partially matched with local funds. The City's share of this match, \$987,000, is included in the Proposed Budget.
- Wichita Mid-Continent Airport is in the planning stages for building a new terminal. This is necessary to accommodate national security requirements to ensure passenger safety, meet Americans with Disability Act (ADA) building requirements, address changes in technology for better facility management and improved customer service, and to provide an overall experience that is more accommodating to travelers. While the new terminal is being designed and constructed, it will be necessary to maintain the existing facility. A Maintenance Mechanic and two Custodial workers are added to meet tenant service demands.
- The River Corridor Improvement project, currently under construction, is a \$20.6 million undertaking scheduled for completion in Fall 2006. To ensure this significant capital investment is maintained, the 2007-2008 Proposed Budget includes the addition of a three-person crew.
- The Office of Central Inspection (OCI) continues to strengthen its code enforcement efforts. Additional funding is directed towards emergency board-ups for abandoned properties, to protect properties from vandalism and deterioration, and to pay for costs associated with condemnation and removal of blighted properties. The 2007-2008 Proposed Budget includes an additional Neighborhood Inspector to assist with the enforcement of environmental nuisance cases.
- The 2007-2008 Proposed Budget includes rate increases for both water (3%) and sewer service (7%). The rate increases are necessary for construction of capital projects associated with growth and development and the need to maintain required reserves, thus preventing future double-digit increases.

- The Public Works Maintenance Division is responsible for maintaining over 1,700 miles of streets. Each year the City budgets \$5 million for street maintenance, which is not sufficient to cover the demand for overlays, resurfacing, and major concrete repairs. An additional \$900,000 has been included in the Proposed 2007-2008 Budget to increase the number of lane miles identified for improvement.



## SAFE AND SECURE COMMUNITY

### Indicators

- Maintained and/or improved response times and the crime rate
- Improved environmental health and community safety
- Maintained and improved citizen perception of public safety

Protecting the lives and property of the citizens of Wichita is a fundamental service that the City provides through the outstanding commitment of City staff working in safety-related services.

The City has a strong tradition of emphasizing public safety that places citizens first, perhaps most notably through police-in-school programs and the Community Policing program, both of which encourage strong relationships and collaborations between law enforcement and citizens in an effort to fight crime in neighborhoods and schools.

The **Wichita Police Department (WPD)**, an unequalled, two-time honoree of the prestigious Webber Seavey Award by the International Association of Chiefs of Police, also provides security for major annual events such as the Wichita River Festival, the Wichita Flight Festival, as well as special events, such as former President George Bush's visit to Wichita in December 2005. Other key accomplishments include spearheading the security improvements at the entrance of City Hall, which includes a screening system that prohibits weapons from entering the facility.

As demonstrated by Community Policing, the School Resource Officer (SRO) program and other successes, City government's services in the Safe and Secure Community goal area want to continue producing *results that matter*. The 2007-2008 Proposed Budget extends the City's current partnership with Wichita Public School District (USD 259). The SRO program provides in-school officers who teach, mentor, coach, and protect middle- and high-schools age youth. The \$1.4 million costs to fund 16 SROs will be split



between the City and USD 259. The remaining 6 of the current 22 SRO officers are included in the budget, but will be re-assigned to patrol duties to reduce response time and increase perception of safety. WPD also will add four patrol cars to enhance response time.

A Victims Rights staff position, previously grant funded, and two additional Security Officer staff positions to enhance security at the Central Library, are additions in the 2007-2008 Proposed Budget. Depending on the level of security needed, public safety positions currently stationed at City Hall may also be utilized to ensure a safe environment for patrons at the Central Library.

During the 2006 Kansas Legislative session, WPD played a key role in passage of the Criminal Street Gang Prevention Act (SB 366), which will have an impact on gang membership, gang recruitment, seizure of property from known gang members and changes in how gang members bond out of jail. The bill defines a criminal street gang and street gang activities, memberships, and association. The bill further defines recruiting criminal street gang membership as causing, encouraging, soliciting, or recruiting another person to join a criminal street gang. Recruiting members would be considered a serious felony. In addition, this bill defines criminal street gang intimidation as communicating, directly or indirectly, with another person, any threat of injury to another person, and damage to property or retaliation against an individual from having withdrawn from a gang would be a serious felony. WPD will work with the Sedgwick County District Attorney to assure vigorous enforcement and prosecution under the law.

The **Wichita Fire Department (WFD)** is seeking *results that matter* through enhanced partnerships. WFD officials continue to meet with Sedgwick County Fire Department officials in an effort to improve collaboration and public safety for citizens throughout the county. WFD is recommending the construction of three new fire stations: one in 2007 and two in 2008. The budget includes 24 new fire positions, staggered to begin work in 2007 and 2008. Efficiencies will help provide staffing for additional engines at stations in the East, West, then South Wichita. Staffing will also be addressed through resource reallocations. The proposed staffing changes will enable WFD to maintain or improve call response times while providing taxpayers better value. This timetable is largely dependent upon the receipt of a federal grant.

The City continues to evaluate the work activities of Arson Investigators as arrest and clearance rates have dropped since 1994. The 2007-2008 Proposed Budget sets aside funding for an additional Arson Investigator, with the intent of assigning this issue to a Strategy Team for an in-depth review. The work of the team will determine if arrests and clearance rates can improve by utilizing existing staff differently or if additional staffing is necessary. The team will

examine investigative coordination with operations staff in both the Police and Fire departments along with work schedule coverage and arrival times at the scene.

WFD's Fire Prevention was recognized in June, when Fireman's Fund and IMA of Kansas awarded the Fire Department a \$20,300 grant. The grant is earmarked for public education programs and related equipment. The equipment will support Fire Prevention programs aimed at juveniles as well as home safety, general public fire education, and the dangers of smoking while on oxygen. In addition, WFD will be able to purchase equipment that will be used to provide training for firefighters. WFD is currently championing a program that involves the installation of smoke alarms in dwellings occupied by the elderly and children.

**Municipal Court**, which has produced *results that matter* through technology upgrades that enhance customer service, continues to meet emerging operational challenges. The 2007-2008 Proposed Budget includes an additional Probation Officer offset by Drivers License re-instatement fees. The current Probation Office caseload is 240 probationers per officer, though the American Probation and Parole Association recommends a maximum caseload of 50-75 probationers per officer. By hiring an additional Probation Officer, the Probation Office will be able to implement case management strategies that will enhance public safety, in part by reducing recidivism and encouraging social reintegration, because of more intense monitoring, and better case management.

The Probation Office also manages the Wichita Intervention Program. The program provides education and intervention for eligible first-time defendants who plead guilty to drunk driving. The program, which is offered in Spanish as well as English, couples the State-mandated 48 hours of incarceration with a strong intervention process in an effort to eliminate future offenses.

The **Law Department** provides the City with wide-ranging legal advice and representation. It continues to demonstrate that *results matter*. During the first six months of 2006, the Law Department litigation caseload was 798 cases; 66 new cases were started in 2006 and 150 cases were closed. Significant cases closed during this time period included successful defense of an employment discrimination case against the Police Department and the dismissal of a lawsuit that claimed \$1 million dollars in damages for wrongful death against the Police Department.

Currently the Law Department has seven Prosecutors, including the Supervisor, who handle approximately 120,000 cases each year, of which 9,600 are trial cases. To address the Law Department's heavy workload, the 2007-2008 Proposed Budget includes an additional Prosecutor. The staff





position will help reduce the number of cases handled by each Prosecutor. The Prosecutors Office will demonstrate *results that matter* in their daily efforts, which include covering sentencing hearings, probation revocations, and representing the City in multiple stages of the judicial process. When reviewing the municipal prosecutor offices of cities of similar size, including Omaha, Nebraska; Mesa, Arizona; and Colorado Springs, Colorado; it is notable that they have significantly larger prosecutorial staffs than the City of Wichita.

**Environmental Services Department** plays a critical support and enforcement role in efforts to maintain a safe and secure community. These services include both public and environmental health enforcement and protection. Key activities for this department included in the Safe and Secure Community goal area are animal control, licensing child care, food protection, tobacco control, inspecting community swimming pools, hazardous materials services (such as response for chemical spills), and preventing and preparing for bio-terrorism acts. The 2007-2008 Proposed Budget adds two full-time staff positions for Animal Control field officers to improve response to service requests, including vicious dog attacks and bites, animals running at large and animal cruelty case investigations.



## ECONOMIC VITALITY AND AFFORDABLE LIVING Indicators

- Improved availability, quality and diversity of jobs
- Sustained affordable living
- Partnered with economic development and affordable living stakeholders

As a key component of the Economic Vitality and Affordable Living goal, the City's efforts in the area of Economic Development remain a high priority. City contributions include the allocation of \$1 million annually to the Economic Development Fund for business recruitment and expansion incentives.

Since 2004, the City has been a major participant in the activities of the Greater Wichita Economic Development Coalition (GWEDC). The joint efforts of GWEDC and the City's Economic Development Office have directly resulted in the creation or retention of more than 5,000 jobs by 22 companies, and a total capital investment of over \$85 million.

More than 80% of the new jobs are outside the aviation sector, thus contributing to the diversification of the economy. The City's participation includes an annual \$250,000 contribution to the operations of GWEDC, but more importantly, it includes administration of innovative incentive programs, including industrial revenue bonds, tax abatements, and forgivable loans.

The City has continued seeking *results that matter* by strengthening its commitment to a stronger area economy, in part by sustaining partnerships not only with GWEDC but also Sedgwick County, the Wichita Metro Area Chamber of Commerce, the Regional Area Economic Development Partnership (REAP) Council of Governments, and the private sector. By working together, the region has been successful in securing legislative action at state and federal levels that strengthen the Wichita's area economic infrastructure.

In addition to its efforts to stimulate the economy, the City is also working to redevelop and revitalize underutilized areas of Wichita. Programs such as tax increment financing and STAR bonds, the Neighborhood Revitalization Program, and the façade improvement program, are being employed to support projects such as the Wichita WaterWalk and River Corridor Improvements, the 13<sup>th</sup> & Grove grocery store project, a new Home Depot at South Broadway and 47<sup>th</sup> Street, and numerous revitalization projects in areas such as the 21<sup>st</sup> Street Corridor, the Downtown Arena Neighborhood Redevelopment project and others throughout the City.

To help sustain affordable airfares for citizens, the City will contribute \$987,000 from the Economic Development Fund to support low-cost airline service. During the 2006 Kansas Legislative session, the City and its partners secured \$5 million a year for the next five years to support affordable airfares in the South Central Kansas area. Customers who use Wichita Mid-Continent Airport report these are *results that matter*. Federal resources have also been secured for a new aviation-technical training center and efforts will continue for additional funding.

The City's focus on improving the local economy is dependent on having sufficient staff. An additional staff position is recommended in the 2007-2008 Proposed Budget to assist with economic development and development assistance functions. The 2007-2008 Proposed Budget also includes an additional Communications and Marketing staff position to help with efforts to better promote the organization and Wichita. This position represents a valuable economic development tool, as it will help promote, educate, and inform present and future stakeholders about the community. The staff position will be primarily responsible for producing public programs on Channel 7 and assisting with substantial marketing and communication duties.



Since the early 1970's, the City of Wichita has collected administrative service fees from businesses that receive industrial revenue bond (IRB) financing. Funds are used to pay for the Economic Development Office's operating expenses. The 2007-2008 Proposed Budget increases the administrative service fee in 2007 from \$2,500 to \$3,200 annually until the bond matures. This fee will generate an estimated additional \$50,000 each year. Additionally, the City is authorized by State statute to charge an origination fee in connection with issuance of Industrial Revenue Bonds. A sliding fee schedule is proposed based on the dollar amount of the bond issuance resulting in \$400,000 of additional revenues to be targeted for economic development activities.

The **Housing and Community Services (HCS) Department** is nationally recognized for producing *results that matter*. In December 2005 the National League of Cities honored HCS for efforts to improve underserved and aging neighborhoods. The Department recently introduced a new initiative, StopBlight, to more aggressively address blight on vacant, abandoned and/or tax delinquent property, which destroys the health of the City's neighborhoods. The program will use changes in law and policy, as well as existing City resources, to facilitate revitalization. The initiatives will include requiring owners of boarded property to register the property and provide a time-specific re-use plan, assessing escalating fines and penalties for multiple code violations on the same property, and acquisition of tax delinquent properties at the earliest possible time, and restore them to usefulness. To the greatest extent possible, the StopBlight program is supported by a cross-section of City departments and will prioritize actions that result in improved homeownership opportunities.

The 2007-2008 Proposed Budget recommends establishing a Wichita Redevelopment Authority (RDA) to facilitate the development of underutilized property in a comprehensive manner. As proposed, the RDA will be an independent, quasi-governmental body, whose Board is appointed by the Mayor and City Council. The RDA will focus on affordable market-rate housing and neighborhood-based, market-driven commercial revitalization, including the implementation of current and future neighborhood plans, as well as initiation of new redevelopment projects. The RDA will have the capacity to generate its own operating and program revenues, using a variety of program tools, including the issuance of debt to finance projects.

Both of these initiatives are included in the recently adopted Comprehensive Housing Policy, which was developed by HCS staff and the Housing Advisory Board, and approved by the City Council in April 2006. Staff and Board members have begun the implementation phase of the Policy's recommendations.

For the 2006 Revised Budget, the City Council approved a Prisoner Re-entry Pilot Project in partnership with the Kansas

Department of Corrections and the Sedgwick County Department of Corrections to address the increasing number of offenders scheduled for release back into Sedgwick County. The Prisoner Re-entry Program is designed to provide supervision and support services to 120-150 offenders returning to Wichita annually. The prisoners will be identified through the Kansas Prison re-entry population program and will receive intensive counseling and training prior to their return. The program is funded by state and federal grant funds as well as a commitment by the Sedgwick County Department of Corrections. The City will fill two new positions, a Re-entry Police Officer and a Housing Landlord Leasing Specialist to work with the offenders to facilitate reintegration. Both positions will be part of a team of professionals, including County and State correctional staff, who will work with citizens and community organizations to resolve neighborhood concerns, assist offenders with developing life skills, such as finding employment and suitable housing.

Some additional highlights of the HCS Department's programs and services:

- The Section 8 program was designated by HUD as a High Performer, based on how the program scored on 14 performance indicators.
- The HOME program continues to be recognized as the top performer in the State of Kansas and in the 97<sup>th</sup> percentile nationally.
- In 2005, The Department had a major role in providing housing for victims of Hurricanes Katrina and Rita through department programs and by coordinating housing matches with private landlords in the community.

The **Wichita Mid-Continent Airport** serves as a portal to the community. Passenger volume has increased substantially since the inception of the Fair Fares program in 2001, a public-private partnership designed to lower airfares at Mid-Continent Airport. In 2004, the Airport set an annual passenger traffic record with 1,498,749 total passengers, an increase of 5 percent over 2003; In 2005, the number of passenger traffic held steady at 1,486,590 despite challenges related to huge increases in fuel costs that have placed strain on the airline industry. While passenger traffic has held steady, ticket prices have fallen. Thanks to the vision of City leaders and the business community, Fair Fares has saved passengers an estimated \$296 million since low-cost carriers AirTran Airways and Allegiant Air entered the market. That's proof that *results that matter*.

The success of the public-private, affordable airfares effort was a key factor in the partnership of City officials, local state legislators and business leaders to successfully secure state funding for the low-cost carrier campaign. Governor Kathleen Sebelius came to Wichita for a ceremonial bill signing in June 2006, highlighting the importance of the affordable airfares campaign. Enhanced marketing and promotional efforts have



continued, and parking concerns related to heavier air travel are addressed, in part, by a popular long-term shuttle lot that opened in 2005.

Fair Fares' success has contributed to plans for a new terminal, estimated to cost \$184 million. The City Council has approved a Program Manager to oversee construction of a new, two-story terminal building, which will be constructed west of the existing 50 year-old facility. A well-maintained airport infrastructure is critical even as the City plans the transition to a new airport terminal. The Airport will add a Maintenance Mechanic and two Custodians based on lease agreements with Airport tenants. The Maintenance Mechanic will perform electrical, plumbing, and general maintenance duties to meet the service demands of tenants.

During the 2006 Kansas Legislative session, lawmakers passed the Machinery and Equipment tax (M&E tax) exemption bill, which represents a tax loss for many local governments, including Wichita. The bill exempts new commercial and industrial machinery and equipment acquired after June 30, 2006 from property taxes. This will have an adverse impact on the City as it represents a major loss in tax revenue.

The City will work aggressively to develop initiatives to assure that projected new business development will offset projected tax loss of the M & E tax exemption bill. Even though the State & Local Chamber of Commerce strongly advocated and supported the M & E tax exemption, the City of Wichita sought complete mitigation reimbursement for local government. The bill provides for a "slider" reimbursement provision, which makes up for tax revenues lost at 90 percent for tax year 2007 (2008 budget year) reducing yearly to 10 percent reimbursement for 2012, when the major impact of this loss takes effect. The Legislature assures municipalities that Local Ad Valorem Tax Reduction (LAVTR) payments to local governments will be reinstated in July 2009 to help further compensate for the loss in revenue stemming from the M & E tax exemption.



## EFFICIENT INFRASTRUCTURE

### Indicators

- Maintained safe and dependable transportation systems
- Provided reliable, compliant and secure utilities
- Maintained and optimized public facilities and assets

The City is charged with maintaining roadways, a transit system, and water/sewer systems and drainage systems. Wichita citizens can see *results that matter* in local infrastructure improvements, ranging from the Kellogg Expansion to Central Rail Corridor improvements. A strong infrastructure supports growth and economic development efforts and protects citizens. It is essential for quality urban and suburban life in a modern city.

The **Water and Sewer Department** is requesting a rate increase of 3 percent for water service and a rate increase of 7 percent for sanitary sewer service to fund ongoing and future infrastructure system improvements. The proposed rate increases will allow the Department to construct capital projects associated with growth and development and to maintain an adequate and legally required cash reserve and reduce the likelihood of requesting a future double-digit rate increase during the preparation of the 2008-2009 Proposed Budget. By supporting a rate increase during the 2007-2008 Proposed Budget, the Department will meet its current and future debt obligations as well as maintain its current level of operations.

The 2007-2008 Proposed Budget calls for adding a Cooperative Labor Program Supervisor, which utilizes more inmates from the Winfield Correctional Facility. As many as 8 to 10 additional inmates will help maintain public right-of-way and park green spaces. This program will provide an immediate visual impact for the general public and demonstrate the City's commitment to maintaining a safe and clean community.

Environmental Protection services, such as Air Quality and Environmental Remediation and Assessment, are included in the Efficient Infrastructure goal area. Their outcomes are necessary for the City's infrastructure efforts to continue. Increasing personnel resources for the current Air Quality staff will offset the reduction of state grant funding and permit continued support for hazardous materials response and indoor air quality investigations.

The Public Works Maintenance Division is responsible for maintaining approximately 1,700 miles of streets. The Maintenance Division has been allocated \$5.6 million annually for contracted maintenance overlays, street resurfacing and major concrete repairs. Over the past two years, the Maintenance Division has experienced a 40 percent increase in asphalt prices due to drastic increases in oil prices. The increase has affected the total number of lane miles that the City can maintain. The 2007-2008 Proposed Budget includes an additional \$900,000 for maintenance activities. The additional funds allocated to the Maintenance Division will be utilized to improve those streets that rank high on the City's priority list.



The Central Rail Corridor project is projected to be completed in mid to late 2008. The total estimated \$105 million project cost is leveraged with a \$12 million commitment from the City. The Central Rail Corridor project will improve traffic flow and safety, air quality, as well as increased efficiency of rail traffic through the City.



## QUALITY OF LIFE

### Indicators

- Citizens are retained in the community
- Citizens are satisfied with the quality of life
- Citizens receive a return on all of their quality of life investment issues

Quality of Life is important to a community that seeks to retain and attract citizens and companies. Quality of Life is reflected in the value City government places on local cultural arts organizations, the Wichita Public Library system, and Park and Recreation opportunities.

The City Council has committed to improving Wichitans' Quality of Life by showing steadfast support for local cultural arts groups. The Council committed to providing an equivalent of a one-mill levy for funding the arts. The City already funds \$1,914,080 in cultural arts services, such as the Wichita Art Museum and Botanica. Additionally, the Arts Council- which is charged with soliciting proposals, reviewing requests and making recommendations to the City Council on funding priorities- has allocated \$860,650 in additional funding to 40 groups, resulting in enhanced cultural arts programs, activities and exposure. In summary, the 2007-2008 Proposed Budget reflects a one-mill equivalent commitment of \$2,838,610 to cultural arts programming.

The **Wichita Public Library** is showing that *results matter* through value based service, a growing customer base, successful summer reading programs, and improved security. An emerging Quality of Life issue is the safety and security of the downtown public library. Through a partnership with WPD, the Library is adding two Security positions to assist with monitoring the facility and to ensure proper usage of computer terminals as well as monitor pedestrian traffic patterns within and outside of the facility. The result will be a reduction in the number of emergency assistance calls that Library staff make to the Police Department and a reduction in citizen concerns about security.

The Library system has enjoyed a record-breaking year, producing a 2.3 percent increase in circulation for 2005, representing nearly 1.95 million items. The Library is able to fuel the increased circulation levels with the development of materials acquisitions funding that exceeded \$1,000,000 for the first time in any single year. The City's General Fund Library Operations budget of \$6,985,910 was supplemented with receipts from the Wichita Public Library Foundation, the Friends of the Wichita Public Library, State funding, and several grants, gifts and memorials.

In 2005, the Bill and Melinda Gates Foundation awarded the Library a \$54,000 grant to replace computers it purchased in 2000. The grant, covering 2006-2008 improvements, enables the Library to continue to provide free, high quality access to computers and the Internet for library patrons. The Wichita Public Library was the only library in Kansas to receive one of these grants.

With the financial backing of the Wichita Public Library Foundation and the Friends of the Wichita Public Library, the Library selected Gossen Livingston Associates to develop a new master plan recommending enhanced library system facilities to best serve Wichitans. This plan will replace the 1999 Strategic Plan for Branch Service and outline the role and future of the Central Library. As part of the process, focus groups and phone surveys were conducted to collect feedback from citizens about programs, services and activities of the Library system. This information affirmed the Library as an important community resource and provided much useful information for helping to guide the design and delivery of services in the future.

There are multiple steps in developing and implementing a master plan. Citizens will be asked to comment on the draft plan and financing proposals will be reviewed and developed. The Library Board and the City Council will have the opportunity to begin the decision-making process by the end of 2006.

The **Park and Recreation Department** is demonstrating *results matter* through several programs, including background checks for coaches, various summer programs at recreation centers and cost-saving plans to hire private companies to better manage and promote two downtown attractions, Century II and Wichita Ice Center.

**Municipal Golf** courses are crown jewels of the Park and Recreation Department. Play at all five courses continues to increase. In 2005, the number of rounds played was 181,934. That number is expected to grow to 187,000 in 2006, 193,000 in 2007 and 199,000 in 2008. To maintain quality, overall service at courses, Golf staff is proposing Green Fee increases to \$20 from \$18, with no change at the Auburn Hills golf course and for the Junior Golf program.





The Park and Recreation Department recognizes that not all recreational centers can offer the same programming and that different recreation centers have different needs. Most recreational centers offer the intensive 10-week Summer of Discovery recreational program that meets day care requirements, and coupling educational and recreational activities. Atwater Recreation Center will offer a new recreational program designed to meet needs of a low-income area. The program, which will charge a marginal fee, is based upon the drop-in concept and offers youth educational and recreational programming. It is modeled after the Colvin PACK program, a Webber Seavey Award honoree.



## CORE AREA AND NEIGHBORHOOD

### Indicators

- Increased and sustained neighborhood vibrancy citywide
- Increased sense of community, neighborhood involvement, and satisfaction
- Continued revitalization of the core area

The City is a leader and a partner in various efforts to strengthen neighborhoods and the Core Area. The City supports a vibrant downtown, which features affordable housing, destination retailers, a diversity of entertainment options and improved infrastructure.

The City's Museum District continues to be a destination for many Wichitans who enjoy attractions at the Wichita Art Museum, the Old Cowtown Museum, Botanica, the Mid-America All Indian Center, and Exploration Place. Downtown will benefit from the planned downtown arena, additional housing, restaurants, and retailers, the mixed-use Wichita WaterWalk project and River Corridor Improvements.

To ensure that a significant capital investment is maintained, the 2007-2008 Proposed Budget includes the addition of a three-person crew to maintain the River Corridor Improvements. The \$20.6 million project is a series of downtown riverfront improvements designed to strengthen the links between attractions in the Core Area. The project, which is scheduled for completion in fall 2006, features pedestrian bridges, an elevated Keeper of the Plains and an amphitheater to be funded with a private-sector donation.

Tree Master software, which utilizes technology to better manage natural resources, is part of the 2007-2008

Proposed Budget. The Tree Master software will allow the City to properly manage and locate 150,000 trees throughout the City and manage its inventory for future tree improvements within the Park system and public right-of-way. This system will allow the City to provide more efficient customer service and record keeping for public trees.

Several City Departments are working collectively with citizens to protect the integrity of neighborhoods and have gained the support of the City Council to implement the StopBlight Initiative. Producing *results that matter* are critical to efforts at improving and preserving neighborhoods and a revitalized Core Area. Since January 2006, Office of Central Inspection (OCI) staff have demolished 13 properties and boarded up 32 structures, while 14 pending structures are scheduled to be demolished, and another 8 structures are scheduled to be boarded-up this summer. The 2007-2008 Proposed Budget includes additional funding to assist the **Office of Central Inspection** code enforcement functions that are part of the StopBlight Initiative with an additional OCI Neighborhood Inspector to help process and follow up on an estimated 700-750 environmental nuisance cases. The 2007-2008 Proposed Budget also includes additional funding to assist OCI with building condemnation and blight removal from neighborhoods throughout the Core Area. In 2005, OCI produced *results that matter*, condemning and removing 30 blighted properties and boarding up 54 abandon properties to protect the homes from further vandalism and deterioration.

The City of Wichita continues its working relationship with the Wichita Downtown Development Corporation (WDDC), Sedgwick County, and Gould Evans, a redevelopment consulting firm the City initially retained in the fall of 2005. Efforts are focused on several projects including the Arena Neighborhood Redevelopment Plan. The area is bound by Main Street, the Central Rail Corridor, Kellogg Freeway and Douglas Avenue. The Arena Neighborhood Redevelopment Plan will address traffic mobility and parking issues related to the Wichita WaterWalk Development, Arena development, Old Town, Century II annual events, and redevelopment of Downtown over the next 10 to 15 years. *Results that matter* are demonstrated through citizen input so that the City can properly plan development in the Downtown Area.

## REVENUES AND EXPENDITURES: THE FINANCIAL PICTURE

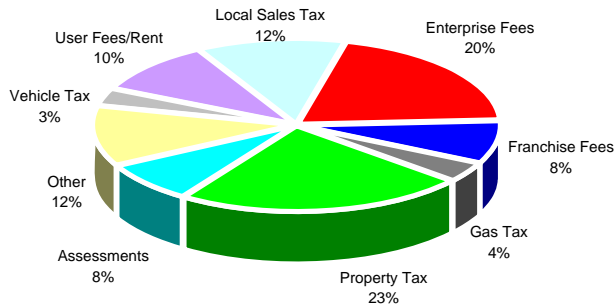
Budgeted revenues for 2007 of \$412,612,575 are derived from several major sources. Certain major revenue categories (e.g. transient guest tax, special alcohol tax and the gas tax) are legally dedicated resources and can only be used to offset specific expenses. Total revenues are exclusive of internal services, fiduciary funds, enterprise construction and interfund transfers (eliminating double counting and co-mingling of operating and capital funds).



The City's revenue picture reflects years of effort to diversify its funding sources. While the City's revenue base remains diverse, the legacy impact of the downturn in the economy and cutbacks in State aid (especially the elimination of demand transfers) have somewhat reversed the trend, increasing reliance on the property tax as a revenue source to fund basic municipal services.

#### 2007 TOTAL REVENUES

\$412,612,575



The mill levy required to finance the 2007 Proposed Budget is 31.898 mills, no change from the levy requirement for the adopted 2006 Budget. The mill levy is divided between the General and Debt Service Funds:

FUND	LEVY
General Fund	21.898
Debt Service Fund	<u>10.000</u>
Total	31.898

On a comparative basis with the 24 other first class cities in Kansas, Wichita remains below the 36.6 mill average. When compared with the 46 other cities within the Wichita Metropolitan Statistical Area (MSA), Wichita's levy also compares favorably to the average of 40.7 mills for combined municipal and/or fire district services. [Note: Averages are based on 2005 tax levy information and may change as other cities adjust 2006 tax levies to fund 2007 budgets.]

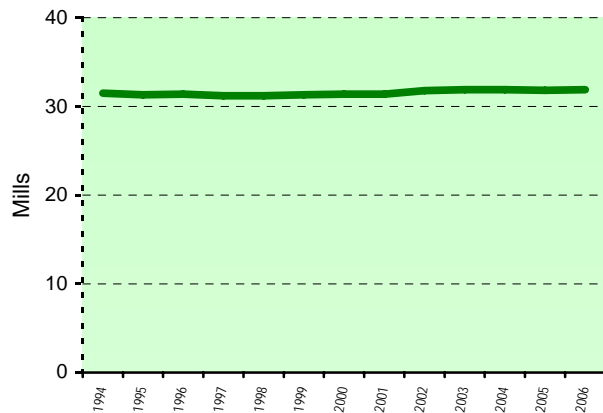
Assessed valuation is the measure of property values for taxation purposes. The County's preliminary estimate of assessed valuation is \$2,847,500,432, an increase of 6.4% over the previous year. Final assessed values are set (by the County) after the City's budget is adopted.

The mean value of a home in Wichita is \$105,920. City property taxes annually will amount to \$389 per year, or \$32.38 per month. A family of four will likely spend about as much (or more) per month for cable television, telephone service, Internet service, or one family trip to the movies. These comparisons serve to emphasize the value represented in municipal services. For their annual City

property taxes, citizens are provided vital police and fire protection, streets, parks, libraries, and a myriad of other services.

#### CITY MILL LEVY

1994 to 2006

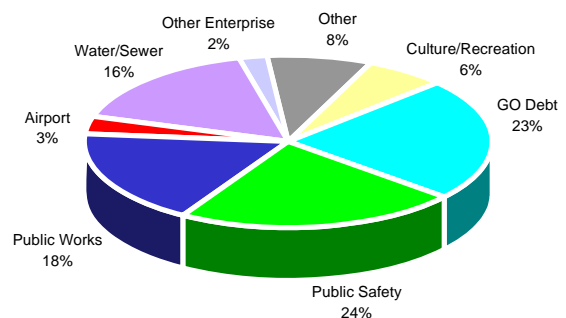


In lieu of a tax lid, the State Legislature imposed a stipulation that the City, by ordinance, acknowledge any growth in General Fund spending based on an increase in property taxes not derived from new development, increased personal property valuation, annexation, or change in use. The estimated amount of increased property tax revenue is \$160,150.

The 2007 Proposed expenditures total \$470,973,180 for all operating funds. Increases are primarily the result of higher wage/benefit costs, public safety enhancements, additional pavement maintenance resources, future water capacity initiatives in the Water and Sewer Utilities, expanded flood water remediation efforts, improved neighborhood services and increased activity in the tax increment finance (TIF) operations. The 2007 Proposed Budget expenditures increase 4.6% above the adopted 2006 Budget. Expenditures by program/service groups are summarized in the chart.

#### 2007 TOTAL EXPENDITURES

\$470,973,180





Total revenues and expenditures are aggregated and reported to show a combined budget picture. In practice, each fund is a discrete, separately certified budget.

## GENERAL FUND

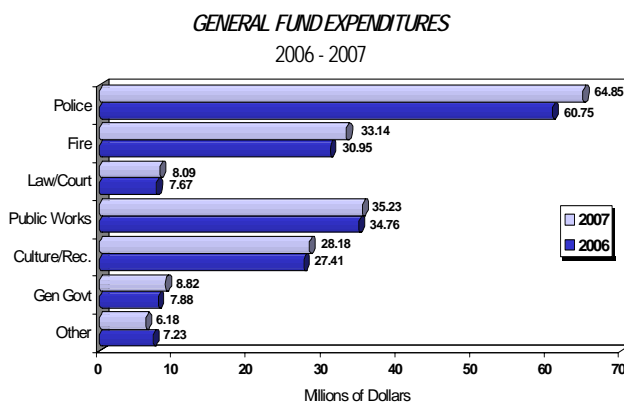
The General Fund is the largest of the City's operational funds, accounting for nearly 40% of the total City budget. Public safety, public works, parks and recreation, health, libraries, local property tax subsidies for transit, and general government activities are the principal programs supported by this fund. The General Fund is one of two major funds that rely upon the ad valorem property tax as a major revenue source.

Overall, General Fund revenues are projected to be 4.0% higher in 2007 than 2006, and 2006 Revised Budget revenues will be 5.1% higher than in 2005. The originally Adopted Budget had assumed 4.3% growth. The change in 2006 is due to strong growth in the motor vehicle tax, licenses and permits, and charges for services and sales. Additionally, the Fund will benefit from higher than expected reimbursements from administrative costs associated with capital projects. The chart below identifies the primary areas of growth in the proposed budget.

### 2007 General Fund Revenues

Property tax (assessed valuation)	\$3,659,950
Franchise fees	869,760
Charges for services and sales	633,510
Interest earnings	500,000
Local sales tax	705,060
Motor fuel taxes	475,580
Reimbursed expenses	490,280

The General Fund is balanced for 2007 at \$185,626,760 in revenues and expenditures. The chart provides an overall picture of the allocation of General Fund expenditures by general category. It reflects policy priorities in the General Fund emphasizing public safety, infrastructure, and cultural/recreation services.



The Proposed Budget accommodates increasing costs in a number of operating areas. Salary improvements for performance-based merit increases and 2% general pay adjustments (GPAs) are included. The budget also includes anticipated increases for health insurance and other benefits in 2007 and beyond, growth demand services, and inflationary pressures in several areas. In balancing the General Fund budget, many options for supplemental requests were filtered out to allow only the highest priorities to be included in the 2007-2008 Proposed Budget. Highlighted below are some of the items added in the proposed budget.

### 2007 General Fund Expenditures Significant Increases

Enhanced Fire services	\$1,703,020
Cultural and Arts funding	\$146,650
Enhanced pavement maintenance	\$900,000
Animal Control services	\$110,870
Kellogg/River Corridor Maintenance	\$124,460
Library security	\$93,170
Probation Officer	\$58,320
Attorney (Prosecutor)	\$70,680

The 2007 Proposed Budget assumes 3.2% Planned Savings (underexpenditures), roughly \$6 million. This aggressive savings goal will require a heightened level of management effort to "force" savings by holding positions vacant, deferring capital equipment of marginal need, etc. If revenue forecasts are too optimistic, the pressure to force savings will be even greater.

## OTHER FUNDS

The Proposed Budget includes revised estimates of current year revenues and expenditures. The procedure of revising the budget is an important element of effective financial management, designed to provide an updated estimate of trends in the current year and to improve budget development for the next year.

Generally, revised budgets remain within the previously adopted budget levels for each fund. Occasionally, revised estimates resulting from changing needs, or City Council actions, mean an increased expenditure level and require a re-certification of the budget.

## Enterprise Funds

Water and Sewer operations are projected to require rate increases necessary to meet future water supply needs and other growth demand capital investments (3% and 7%, respectively). The second of two consecutive 25¢ increases in the Storm Water ERU rates is factored into the 2007 budget. The fee increases funding for \$22 million worth of flood remediation projects. The Golf Fund allows internal



refinancing of existing debt, extending the term of repayment to the Debt Service Fund and assessing interest to the Golf enterprise on any outstanding principal.

### Special Revenue Funds

A 15% premium on Central Inspection fees was implemented at the beginning of 2005. The premium is applied to a rate table developed in 1985. The premium is necessary to maintain a three to four month operating reserve in the fund. A priority identified within the Transient Guest Tax charter ordinance directs that revenues be used first to retire debt service on convention facility infrastructure and next to offset operating deficits at Century II and Expo Hall. An additional \$450,000 annually is required to offset Century II's operating deficit. The Economic Development Fund includes funding for the City's share of the required local matching support for the State appropriation for affordable air service.

### Internal Service Funds

New technology initiatives (such as public safety MCTs and a wireless network) are being implemented. Projects like these and greater technology penetration into the organization (as evidenced by more user accounts and applications) are indicators of the organization's (and the culture's) continued cost effective assimilation of technology to enhance services.

## **2008 PROJECTED BUDGET**

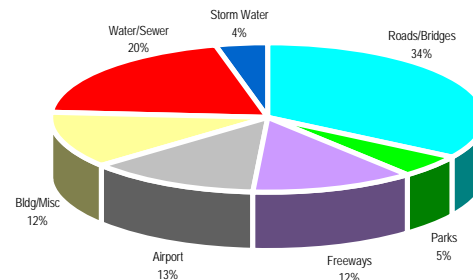
The 2008 Budget projection of \$430,049,410 is misleading because it does not account for the \$18 million Landfill Post Closure liability. State budget law requires that resources be budgeted entirely in the current year as if it will be expended; theoretically, it will not be available for expense again in 2008. Even adjusting for this nuance, the projected budget represents a 4.9% decrease from 2007. Cost increases for wages and benefits throughout are offset by lower TIF Fund contingencies and less pay-as-you-go financing within the Debt Service Fund.

The General Fund is projected to increase in 2008 to \$191,391,420, a 3.1% increase over the 2007 Budget. The projected increase is due to anticipated increases in employee wage and benefit costs, and necessary growth demand resources. The 2008 General Fund budget is balanced.

## **CAPITAL IMPROVEMENT PROGRAM**

The ten-year Capital Improvement Program totals approximately \$1.5 billion. Revenues to finance the capital program include: Property Taxes (19%), Local Sales Tax (10%), Special Assessments (8%), Grants (23%), and Enterprise Fees (36%) from Airport, Water, Sewer, Storm Water, and Golf, and Other (4%).

### ***2005-2014 Capital Improvement Program*** ***\$1,824,421,000***



The City finances capital projects in a variety of ways: general obligation bonds/notes, revenue bonds, grants, and cash. The most significant of these are General Obligation (GO) bonds based on the full faith and credit of the City. GO bonds provide debt financing not only for property tax-funded projects but for capital improvement projects where debt service payments are paid by City enterprises (e.g., Airport, Golf, Storm Water). Based on Generally Accepted Accounting Principles (GAAP), the debt service payments for General Obligation (GO) debt are spread either to the Debt Service Fund or the various enterprise and internal service funds, as appropriate.

The City maintains a high-grade (AA) bond rating. Further, the City demonstrates prudent debt practices under State law with City debt well below the legal debt margin at only 25.7% of the actual legal margin.

Projects are primarily initiated in the departments of Public Works, Water and Sewer, Park, and Airport. The Program includes funding for freeways, arterials, bridges, facilities, utilities, parks, community redevelopment, and other amenities.

### Debt Service Fund

The Debt Service Fund pays expenditures related to most of the City's General Obligation debt. The first obligation of the Debt Service Fund is to make all debt service payments on existing City bonded indebtedness. Based on revenue estimates and assuming a constant property tax levy (10 mills), the remaining resources of the fund are used to assume debt obligations for new capital projects. Funds not required for long-term debt are used to pay for capital project expenses in the form of temporary notes that are retired in the same year (e.g., "pay-as-you-go" financing).

The Debt Service Fund is positioned to support both existing debt and finance new capital projects. Cash reserves of the fund will be reduced to \$3 million by year-end 2007. While this reduction is substantial, the target level of reserve for this fund is not-to-exceed 5% of annual expenditures. The fund is stable as to revenues and most expenditures are incurred late in the fiscal year.





## Local Sales Tax (LST) Capital Projects

Since 1985, the City has set aside one half of all local sales tax proceeds, estimated at \$23.5 million for 2006 and \$24.2 million for 2007, to support the transportation capital program, with a principal emphasis on freeways. Major LST-funded projects currently underway include the freeway segment of on Kellogg/US-54 at Rock Road; the Central Rail Corridor; and \$6 million annually (through 2010) on arterials.

## RESERVES

Each of the funds in the City's budget has a separate cash balance position. The cash reserve position of the General Fund is projected to be approximately \$13 million of appropriated reserve and \$10 million unappropriated reserve by year-end (2007) or 12.3%. The City Council has approved a policy stating the City will not drawdown reserves in excess of 10% of expenditures. This reserve provides a margin to cover an unforeseen shortfall in anticipated revenues, unexpected expenditure requirements, one-time expenditures, or support for future year costs without a property tax increase.

The General Fund cash reserve (in total) represents 13% of 2006 expenditures. It is noted that even if the reserve is maintained at the same dollar amount, it will decline as a percentage of expenditures in the coming years. Unknowns remain on the horizon for the City's budget in terms of a fragile economy. The Wichita economy is showing strong signs of recovery, but continues to face long-term challenges.

The cash reserve position of the Debt Service Fund is projected at 5%. The reserves of other funds vary as necessary for the specific circumstances of each fund.

Cash reserves are appropriate and necessary for a variety of reasons:

Revenue Volatility	Funds relying on revenues that may vary significantly due to economic or other conditions (e.g., weather) will need higher cash balances than those funds relying on more stable revenues.
Timing of Cash Inflows/Outflows	When either receipt of income or the payments for obligations are less predictable or subject to significant fluctuations, relatively higher levels of cash reserves may be necessary to maintain liquidity.
Contingency	An unencumbered cash balance provides financial resources to meet most unforeseen contingencies and liabilities while avoiding the necessity of tax/rate increases or use of "no-fund" warrants.

## Legal Requirements

Some funds may have legal/regulatory constraints as to either minimum or maximum cash reserve levels, or a contractual obligation governing cash balances (e.g., bond covenant).

The cash reserve position is also a significant factor evaluated by bond rating agencies assessing the financial strength of a community. Cash reserves, both as to level (dollar and percentage) and trend (whether reserves are increasing, decreasing or stable), mirror the continued ability of a city to meet its obligations and the willingness of local elected officials to set tax rates commensurate with requirements for a balanced budget.

The classic definition of a balanced budget is when annually recurring revenues offset annually recurring expenditures. In some funds, expenditures are occurring at a higher rate than revenues, creating a budget imbalance and net reduction in cash reserves. This funding strategy is possible only for a limited period of time if reserves are above target limits. As reserves decline, it will be necessary to restore a balance through expenditure reductions, increases in revenues, or both.

Precipitous declines in reserves would not be prudent management, nor would such action be recommended. Utilizing the City reserves to balance the operating budget without reducing expenditures, would be short-sighted and not be in keeping with past management practices.

## IMPROVING OPERATIONS

The City's efforts do not start and do not end with approval of an annual budget. It is necessary to put into place the means to ensure that taxpayers receive the maximum value in programs and services for each tax dollar spent. During the course of each year, City staff continues to focus on ways to reduce costs and improve services. Continuing improvement efforts have led to the extension of technology to the field, services offered to the public through Neighborhood City Halls, and an emphasis on outcomes-based management initiatives. In light of the economic downturn, transformation efforts have intensified to restructure City operations for lower costs, releasing resources for new priorities, while maintaining high service levels. Significant transformation efforts are continually under consideration:

- Operational Re-engineering – Efforts to produce cost-saving organizational changes while maintaining or enhancing efficiency and effectiveness.
- Consolidation – Review of City programs and services to determine if redundancies exist, and where consolidation can produce cost-savings.

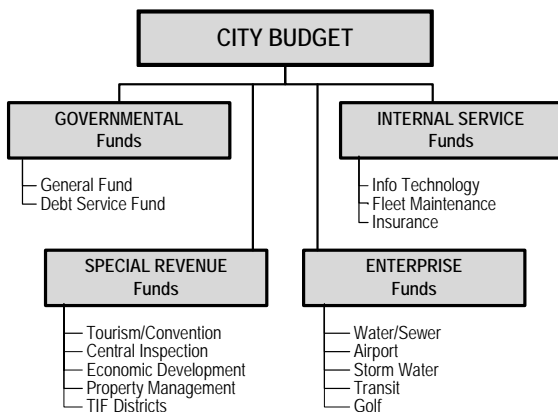


- Privatization/Outsourcing – Competitive pricing of government services, to ascertain those services best and most economically provided by City departments and where private companies are better able to provide a lower cost service.
- Application of Technology – A continuing effort to use new technologies to lower costs and enhance public programs and services.

## BUDGET PROCESS

### Fund Structure

The City does not have one budget but many funds, each of which is a discrete, legally separate budget. Only two funds, the General Fund and Debt Service Fund, include the property tax as a direct revenue source supporting fund expenditures.



Financial projections are tailored to each fund. Estimates and patterns of revenues and expenditures will vary by fund based on each fund's circumstance.

### Citizen Input on Budget Priorities

In the spring of 2004, resident, government, and community group leaders came together to research and address the significant challenges faced in the Wichita region. The City of Wichita partnered with Sedgwick County, the Kansas Health Foundation, the Wichita Area Chamber of Commerce, the Wichita Community Foundation, and the Wichita Downtown Development Corporation to initiate a process called Visioneering Wichita. The collaborative process engaged hundreds of citizens through community meetings, area focus groups, and vision task forces to identify and endorse a twenty year vision for the Wichita metro area.

The City of Wichita took the larger community Visioneering plan, identified the areas of responsibility and focus for city government, incorporated core foundations, benchmarks, indicators and strategies, and merged these grassroots community objectives as the foundation for the Wichita "Managing for Results" Agenda and 2007 Proposed Budget.

Again, the broad strategic priorities are:

1. Safe and Secure Community;
2. Economic Vitality and Affordable Living;
3. Efficient Infrastructure;
4. Quality of Life; and
5. Core Area and Vibrant Neighborhood.

Cross-functional employee Strategy Teams were appointed for each of the goals identified. These teams met and reviewed department budget submittals for programs and services within each of the respective teams goal area. The teams proffered recommendations to the City Manager.

Additionally, as a part of the ongoing budget development process, Budget staff conduct multiple education sessions on the City's annual operating budget throughout the year. Sessions are provided to various citizen groups, including the Citizen's Academy, neighborhood associations, leadership councils, select citizen task forces, schools, and especially District Advisory Boards (DABs). The sessions provide audiences with an overview of the City's budget development process, a review of historical information and current trends, and a preview of upcoming budget issues.

Community priorities identified by the citizen participants are collected and organized by Budget staff. Priorities are communicated to decision-makers during the budget process. As indicated throughout the budget, limited discretionary resources are targeted to address the community needs identified as highest priorities by citizen participants.

### Financial Planning

Sound financial planning is vital in any corporation, including a municipality. The City's primary goal in financial planning is to maintain the public's trust and confidence in its ongoing financial stewardship of the public purse through long-term financial forecasting, a balanced budget, cash reserves to absorb cyclical variations in revenues without reductions in services, investor confidence in the City's bond value, and stable tax levies.

The City has established a practice of multi-year budget forecasting. Long-term analysis of revenues and expenditures into the future helps to avoid recurrence of budget shortfalls leading to service reductions and employee layoffs. A five-year financial forecast is prepared and presented to the City Council as part of the annual budget development process. The forecast is designed to ascertain the long-term impacts of current operating budget policies and conditions. The Budget itself proposes a detailed two-year expenditure plan (2007 and 2008) that is financed from available revenues.

Another important element in the City's financial plan is a balanced budget, in both the legal and fiscal definitions. This means that annually recurring expenditures (other than one-



time costs) are paid from annually recurring revenues. The effort to match annual revenues with annual operating expenditures has also aided the City in another important financial goal – to maintain a stable property tax rate. The City has sustained essentially the same mill levy rate for thirteen consecutive years.

### Revenue/Expenditure Forecasting

The City's Budget has a multi-year focus: retrospective in reviewing the prior year (2005) actual revenues and expenditures; current in revising 2006 requirements; prospective in budgeting for the next two years (2007/2008); and forecasting an additional three years (2009-2011). Forecasting the financial future of the City is not a precise science. It requires making assumptions about the future.

To the greatest extent possible, staff has sought to provide a neutral forecast that is neither too optimistic nor too pessimistic. The forecasting effort in the budget process is the product of assembling information from multiple sources, including:

- ▶ Econometric modeling of revenues based on research by Finance staff and WSU faculty,
- ▶ Input from state agencies which forecast various governmental revenues (e.g., Gas Tax),
- ▶ Local economic trends prepared by the WSU Center for Economic Development and Business Research,
- ▶ Private sector expertise on select revenue sources (e.g., franchise fees), and
- ▶ Finance and other City department staff who monitor revenue and expenditure trends.

### Budget Administration

The budget establishes appropriation and expenditure levels. It is normal with prudent management for "actual" expenditures to be marginally below "budgeted" expenditures by year-end. Organizations often anticipate a level of such expenditure savings in the budget development. The existence of a particular appropriation in the budget also does not automatically mean funds are expended. Because of the time span between preparing the budget, subsequent adoption by the governing body and the end of the budget year, as well as rapidly changing economic factors, all expenditures are reviewed prior to any disbursement. These expenditure review procedures assure compliance with City requirements and provide some degree of flexibility for modifying programs to meet changing needs and priorities.

### CONCLUSION

As the City continues its Managing for Results transformation journey on, it must focus on the *results that matter* to citizens, and not necessarily the programs and services that have historically been provided. The Transforming Wichita initiative is about listening to citizens to determine which services are

most needed, defining priorities based upon need, allocating resources to the highest priorities based upon budget availability, and closely monitoring outcomes to ensure that scarce public resources are maximized. This is the process that began in late 2005, was more fully defined in 2006, and sets the foundation for a new way of budget development for years to come.

I am especially grateful for the City Council's support for this new budgeting process. Without their leadership City staff would not have the benefit of prioritizing work efforts to support the five goals defined and adopted by the City Council. The vision, direction and leadership provided by the Council helped to guide and direct staff in the development of the 2007-2008 Proposed Budget.

I would also like to extend a special thanks to the teams that participated in Transforming Wichita and were engaged in the development of this budget. They include the Leadership Team, Project Team, Communications Team, and Strategy Teams. Team members devoted hours of work, often as much as nine hours per week, to this endeavor. The resulting benefits are many. City staff is more knowledgeable about programs and services provided by all departments. Budget recommendations were initiated by a "fresh set of eyes" which was instrumental in determining service priorities. Most important, a team of professionals all worked together to address the goals that the City Council set forth in an effort to continue the City's transformation to a high-performance organization.

Finally, I would like to thank the Finance staff's Budget and Research Division for their leadership and dedication to this process. They spent countless hours researching the best management practices of other cities so that the budget process that has now been integrated into the Transforming Wichita Initiative would be successfully implemented throughout the entire City organization. They took it upon themselves to take the lead in educating and mentoring staff so that the budget document would reflect *results that matter*.

As City Manager it is my task to submit an annual budget that advises the City Council on the financial conditions and requirements of the City. It is a guiding document to help us Manage for Results and we will do so through actively engaging in smarter sizing, spending, and management of work processes so that the desired results are produced with the greatest value for every dollar spent.

Respectfully submitted,

George R. Kolb  
City Manager